

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0612-01
Bill No.: SB 420
Subject: Employees- Employers; Workers' Compensation
Type: Original
Date: March 15, 2011

Bill Summary: This proposal dissolves the second injury fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on General Revenue Fund	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Conservation Fund	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
State Road Fund	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Workers Compensation Fund	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning (BAP)** assume the proposed legislation should not result in additional costs or savings to BAP. The proposal would dissolve the Second Injury Fund (SIF). Based on the proposal, it is unclear how current and pending obligations against the SIF would be addressed. These obligations include injury awards to claimants and staff expenses at the Attorney General's office. BAP defers to the Department of Labor and Industrial Relations and the Attorney General's Office for an estimate of the fiscal impact.

Officials at the **Department of Labor and Industrial Relations** assume there is an unknown fiscal impact to the Second Injury Fund (SIF). According to the Pinnacle Actuarial Resources, Inc. report, the outstanding liability to the SIF is \$921 million. It is unknown where the liability to the SIF will fall, whether it will fall to the state, to employers or to a third party.

Officials at the **Office of Administration** assume that it is likely that some of the compensation or disability that was available from the Second Injury Fund would be pursued against the employer/insurer from the primary injury. Therefore there is the potential for increased cost to the state's self-insured workers' compensation program that cannot be determined at this time.

The Second Injury Fund surcharges will likely decrease which would result in some savings to the state's self insured workers' compensation program (CARO).

Officials at the **Missouri Department of Transportation** assume employers' workers' compensation claim costs will increase as they pick up the entire cost of permanent disabilities regardless of whether their workplace injury, on its own, created the permanent disability. The increased cost to the State Road Fund is unknown.

Officials at the **Office of the Attorney General** assume that the costs regarding the implementation of this proposal are unknown, but the AGO may request a future appropriation for a FTE for related litigation.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration, Missouri Department of Conservation** and the **Office of the State Treasurer** assume that there is no fiscal impact from this proposal.

Oversight assumes that this proposal removes the second injury fund surcharge and therefore the General Revenue Fund, Conservation Fund and the State Road Fund will see savings from not

ASSUMPTION (continued)

paying the surcharge.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE			
<u>Savings</u> - Second Injury Fund surcharge	Unknown	Unknown	Unknown
<u>Cost</u> - increased workers compensation claims	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
CONSERVATION FUND			
<u>Savings</u> - Second Injury Fund surcharge	Unknown	Unknown	Unknown
<u>Cost</u> - increased workers compensation claims	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
STATE ROAD FUND			
<u>Savings</u> - Second Injury Fund surcharge	Unknown	Unknown	Unknown
<u>Cost</u> - increased workers compensation claims	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON STATE ROAD FUND	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>

WORKERS COMPENSATION FUND

<u>Cost - increased number of workers compensation claims</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON WORKERS COMPENSATION FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses could be impacted as a result of this proposal.

FISCAL DESCRIPTION

This act dissolves the Second Injury Fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Insurance, Financial Institutions and Professional Registration
Department of Labor and Industrial Relations
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
Office of the Attorney General
Office of the State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 15, 2011